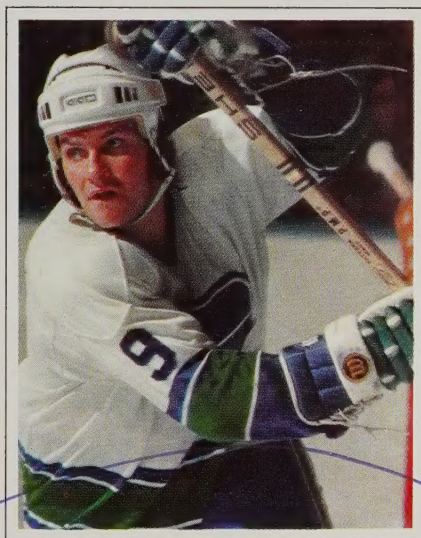
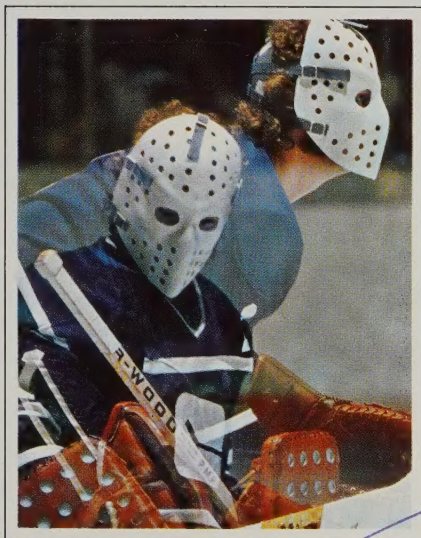


Full



NORTHWEST SPORTS
ENTERPRISES LTD.
ANNUAL REPORT 1975

NORTHWEST SPORTS ENTERPRISES LTD.

Pacific Coliseum, Exhibition Park
100 Renfrew Street N., Vancouver, B.C.
V5K 3N7

Directors

Frank A. Griffiths
*Coleman E. Hall
William J. Hughes
Lawrence S. Dampier
*The Hon. Edward M. Lawson

William L. McEwan
The Hon. Walter S. Owen
*Peter Paul Saunders
*Sydney W. Welsh

Officers

Frank A. Griffiths – Chairman of the Board
Coleman E. Hall – President

William J. Hughes – Vice-President
D. Alexander Farac – Secretary

**Transfer agent
and registrar**

Montreal Trust Company

Auditors

Thorne Riddell & Co.

* Members of Audit Committee

REPORT TO SHAREHOLDERS

Your directors are pleased to present the consolidated financial statements and the auditors' report thereon for the fiscal year ended August 31, 1975. The year under review can be separated into two distinct areas: "On Ice" and "Off Ice".

ON ICE

The 1974-75 season saw the Vancouver Canucks finish in first place in the Conn Smythe Division of the National Hockey League. The Canucks' participation in the Stanley Cup playoffs was the first for your team. An exciting quarter final series against the powerful Montreal Canadiens saw the Canucks defeated in five games.

OFF ICE

The Vancouver Canucks drew the 7th highest attendance in the National Hockey League in the 1974-75 season. From the standpoint of gross gate receipts the Vancouver club was 7th and was the 2nd highest in the league in the number of tickets sold as a percentage of the number of seats available.

Season ticket sales for the 1975-76 season indicate continuing strong support from the community.

In order to earn maximum interest on the 1975-76 season advance ticket receipts, Vancouver Hockey Club has invested a portion of these in demand notes of Western Broadcasting Company Ltd., repayment guaranteed by the company's bankers and secured by shares, of a public company, lodged as collateral. Interest earned by the hockey club is slightly under the prime rate of the Canadian banks and above the rate that could be earned in any equally strongly secured investment.

The company's controlling interest in Seattle Totems Hockey Club, Inc. was sold during the past fiscal year. Under terms of the agreement with the new owners of the Seattle Totems, certain funds advanced to the Totems were to be paid back. The inability of the new owners to secure an N.H.L. franchise for the city of Seattle has made collection of these advances doubtful and your company has provided for the loss on this investment under extraordinary items in the amount of \$369,398.

For the 1975-76 season the Canucks entered into working agreements with the Tulsa (Oklahoma) Oilers of the Central Hockey League and the Fort Wayne (Indiana) Komets of the International Hockey League. Both these agreements assure our future prospects the best possible training with a solid minor league franchise. The financial arrangements are more equitable than under the Seattle affiliation. This, coupled with a significant reduction in

the number of players under contract, will result in a lower cost of player development.

Special assessments in the amount of \$288,103 were paid by the Canucks to the National Hockey League during the year under review. These assessments were your company's share of advances of a non-refundable nature made by the National Hockey League to the financially troubled Pittsburgh Penguins and the California Golden Seals. Subsequent to the season end the Pittsburgh Penguins' franchise came under new ownership and the California club, just prior to the start of the current season, was purchased by San Francisco interests with some assistance from the National Hockey League.

In this connection the member clubs of the National Hockey League are determined not to again become involved to the extent that has been the practice in the recent past in assisting member clubs that are experiencing financial difficulty.

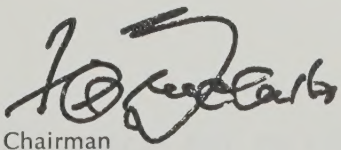
During the year debentures in the amount of \$31,000 were purchased to apply against future sinking funds requirements.

The company obtained a satisfactory settlement from Revenue Canada, Taxation with respect to the amortization of the original cost of rights to players. This has reduced the company's income taxes payable by \$1,496,800. Under current accounting practices an amount of \$1,214,300 has been added to deferred taxes to recognize the portion of this tax savings relating to write off of players' rights acquired with the franchise.

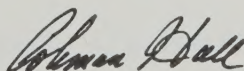
For the coming year the outlook for a healthier earnings picture is bright. Ticket price increases, reduced league assessment costs and more effective management control should offset increased wage and travel costs, thus resulting in improved operating results.

We would like to acknowledge and thank the team and office staff for their valuable contribution and support during the past year.

We look forward with confidence to the coming year.



Chairman



President

October 24, 1975
Vancouver, B.C.

CONSOLIDATED BALANCE SHEETS - AUGUST 31, 1975 AND AUGUST 31, 1974 (note 5(a))**ASSETS**

	1975	1974
CURRENT ASSETS		
Cash and term deposits	\$ 28,958	\$ 840,280
Short-term interest bearing securities (note 2)	4,400,000	2,098,839
Accounts receivable and accrued interest	96,181	113,407
Current portion of notes receivable	78,653	235,083
Prepaid expenses	350,222	433,893
Income tax recoverable attributable to losses carried forward	243,300	199,000
	<u>5,197,314</u>	<u>3,920,502</u>
INVESTMENTS		
Notes receivable, less current portion shown above (note 3)	1,125,103	1,034,162
Equity in National Hockey League	57,560	61,725
Equity in limited partnership (note 4)	1	150,000
Other	10,053	10,053
	<u>1,192,717</u>	<u>1,255,940</u>
LEASEHOLD IMPROVEMENTS AND EQUIPMENT, less accumulated amortization and depreciation of \$87,469 (1974 - \$86,045)	<u>89,284</u>	<u>123,728</u>
HOCKEY FRANCHISES AND RIGHTS TO PLAYERS	<u>7,528,234</u>	<u>8,115,613</u>
DEFERRED CHARGES		
Debenture discount and expenses	112,047	122,397
Incorporation costs	1,987	1,987
	<u>114,034</u>	<u>124,384</u>
	<u><u>\$14,121,583</u></u>	<u><u>\$13,540,167</u></u>

APPROVED BY THE BOARD:

FRANK A. GRIFFITHS, C.A., Director

COLEMAN E. HALL, Director

LIABILITIES

	1975	1974
CURRENT LIABILITIES		
Accounts payable and accrued charges	\$ 515,630	\$ 377,030
Income taxes	594,603	862,345
Deferred revenue on advance sale of tickets	5,031,934	3,854,906
Payable to parent company	—	25,000
Current portion of long-term debt	—	85,667
Deferred income taxes related to current assets	160,800	190,000
	<u>6,302,967</u>	<u>5,394,948</u>
LONG-TERM DEBT		
8½ % Convertible subordinated debentures due November 15, 1990 (note 6)	<u>1,486,200</u>	<u>1,517,200</u>
DEFERRED INCOME TAXES	<u>1,530,800</u>	<u>1,536,800</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized 2,000,000 Common shares without nominal or par value Issued and fully paid 1,000,180 Shares	2,715,695	2,715,695
RETAINED EARNINGS	<u>2,085,921</u>	<u>2,375,524</u>
	<u>4,801,616</u>	<u>5,091,219</u>
	<u>\$14,121,583</u>	<u>\$13,540,167</u>

LEASE COMMITMENTS (note 8)

CONTINGENT LIABILITIES (note 9)

CONSOLIDATED STATEMENTS OF INCOME**YEAR ENDED AUGUST 31, 1975 AND THE TWO MONTHS ENDED AUGUST 31, 1974** (note 5(a))

(with comparative figures for the year ended August 31, 1974)

	Year ended August 31, 1975	Year ended August 31, 1974	Two months ended August 31, 1974
REVENUE			
Game ticket sales	\$4,550,699	\$3,673,033	
Radio and television rights	811,500	780,000	
Program sales and advertising	348,131	305,930	
Novelty sales and other	87,525	81,252	\$ 702
Interest income	194,321	189,791	57,552
	<u>5,992,176</u>	<u>5,030,006</u>	<u>58,254</u>
EXPENSES			
Operating and cost of sales			
Team costs	3,632,545	2,670,024	18,670
Rent	412,318	352,734	—
Other hockey expenses	690,308	557,230	—
Program sales and advertising	164,180	133,651	—
Novelty sales and other	36,662	61,161	397
Selling and administrative	633,840	642,957	100,382
Interest on long-term debt	156,304	202,444	24,126
Interest related to income tax settlement	50,000	50,000	4,200
	<u>5,776,157</u>	<u>4,670,201</u>	<u>147,775</u>
Income (loss) before undernoted items	216,019	359,805	(89,521)
Loss from operations of Seattle Totems Hockey Club, Inc.	—	73,810	20,978
	<u>216,019</u>	<u>285,995</u>	<u>(110,499)</u>
Income taxes			
Current	180,324	754	(157,971)
Deferred	(35,200)	233,500	112,000
	<u>145,124</u>	<u>234,254</u>	<u>(45,971)</u>
Income (loss) before extraordinary items	70,895	51,741	(64,528)
Extraordinary items (note 7)	(360,498)	663,900	—
NET INCOME (LOSS) FOR THE PERIOD	<u><u>\$ (289,603)</u></u>	<u><u>\$ 715,641</u></u>	<u><u>\$ (64,528)</u></u>
EARNINGS (LOSS) PER SHARE			
Income (loss) before extraordinary items	\$.07	\$.05	\$ (.07)
Extraordinary items	(.36)	.66	—
Net income (loss) for the period	<u><u>\$ (.29)</u></u>	<u><u>\$.71</u></u>	<u><u>\$ (.07)</u></u>

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**YEAR ENDED AUGUST 31, 1975 AND THE TWO MONTHS ENDED AUGUST 31, 1974** (note 5(a))

(with comparative figures for the year ended August 31, 1974)

	Year ended August 31, 1975	Year ended August 31, 1974	Two months ended August 31, 1974
Balance at beginning of period			
As previously reported	\$2,097,224		\$2,157,552
Adjustments on settlement of prior years' income taxes (note 5 (a))			
Reduction in provision for current income taxes	1,599,700		1,599,700
Increase in provision for deferred income taxes	(1,161,400)		(1,161,400)
Provision for interest and other costs associated with the settlement	(160,000)		(155,800)
Net adjustments	278,300		282,500
As restated	2,375,524	\$1,659,883	2,440,052
Net income (loss) for the period	(289,603)	715,641	(64,528)
BALANCE AT END OF PERIOD	\$2,085,921	\$2,375,524	\$2,375,524

AUDITORS' REPORT**To the Shareholders of
Northwest Sports Enterprises Ltd.**

We have examined the consolidated balance sheets of Northwest Sports Enterprises Ltd. and its subsidiary companies as at August 31, 1975 and August 31, 1974 and the consolidated statements of income, retained earnings and changes in financial position for the year ended August 31, 1975 and the two month period ended August 31, 1974. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, subject to the collectability of the notes receivable referred to in note 3 and subject to the outcome of the anti-trust actions referred to in note 9(a) and the possible effects thereof on the consolidated financial statements, these consolidated financial statements present fairly the financial position of the companies as at August 31, 1975 and August 31, 1974 and the results of their operations and the changes in their financial position for the year ended August 31, 1975 and the two month period ended August 31, 1974, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding periods.

Vancouver, B.C.
October 24, 1975

THORNE RIDDELL & CO.
Chartered Accountants

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION**YEAR ENDED AUGUST 31, 1975 AND THE TWO MONTHS ENDED AUGUST 31, 1974** (note 5(a))

(with comparative figures for the year ended August 31, 1974)

	Year ended August 31, 1975	Year ended August 31, 1974	Two months ended August 31, 1974
SOURCE OF WORKING CAPITAL			
Income before extraordinary items	\$ 70,895	\$ 51,741	
Items not involving current funds			
Depreciation and amortization	31,653	70,711	
Non-current deferred income taxes	(6,000)	261,000	
Provision for loss on investments	149,999	4,051	
Realization of tax savings on application of loss carry-forwards	8,900	9,400	
	<u>255,447</u>	<u>396,903</u>	
Reduction in non-current portion of notes receivable	65,715	121,806	
Proceeds on disposition of Seattle Totems Hockey Club, Inc. of \$146,429 cash and working capital deficiency at August 31, 1974 of \$94,533	240,962	—	
Proceeds and current portion of notes receivable from N.H.L. expansion less current income taxes	—	307,100	
	<u>562,124</u>	<u>825,809</u>	
APPLICATION OF WORKING CAPITAL			
Loss before extraordinary items			\$ 64,528
Items not involving current funds			
Depreciation and amortization			(5,443)
Non-current deferred income taxes			700
Issue of shares on conversion of debentures			200
			<u>59,985</u>
Purchase of 8½ % convertible subordinated debentures for cancellation	31,000	307,100	5,100
Additions to leasehold improvements and equipment	5,675	25,661	13,641
Reclassification of current portion of notes receivable as long-term (note 3)	156,656	—	—
Investment in limited partnership	—	150,000	—
Reduction in non-current portion of notes payable	—	146,687	—
	<u>193,331</u>	<u>629,448</u>	<u>78,726</u>
(DECREASE) INCREASE IN WORKING CAPITAL DEFICIENCY	<u>(368,793)</u>	<u>(196,361)</u>	<u>78,726</u>
WORKING CAPITAL DEFICIENCY AT BEGINNING OF PERIOD			
As previously reported	2,967,046		2,892,520
Reduction of taxes payable on settlement of prior years' income taxes (note 5(a))	1,492,600		1,496,800
As restated	<u>1,474,446</u>	<u>1,670,807</u>	<u>1,395,720</u>
WORKING CAPITAL DEFICIENCY AT END OF PERIOD	<u>\$1,105,653</u>	<u>\$1,474,446</u>	<u>\$1,474,446</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED AUGUST 31, 1975 AND THE TWO MONTHS ENDED AUGUST 31, 1974

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation and foreign exchange

The consolidated financial statements include the accounts of the following subsidiaries, all of which are wholly-owned:

Vancouver Hockey Club Ltd. (Vancouver Hockey)
Canucks Publishing Ltd.
Rochester Americans Hockey Club 1969, Inc.
Burrard Hockey Club Ltd. (inactive)

Current assets and liabilities of the company's U.S. subsidiary have been translated to Canadian dollars at year-end exchange rates, all other assets and liabilities at historical rates, and revenues and expenses at the average rate for the period.

The company sold its investment in the Seattle Totems Hockey Club, Inc., a 55.56% owned subsidiary at August 31, 1974, and received \$146,429 cash on account. The operations of the company have been included in these consolidated financial statements to August 31, 1974.

(b) Investments

The investment in the limited partnership and the National Hockey League is accounted for by the equity method. Other investments are accounted for by the cost method.

(c) Hockey franchises and rights to players

Franchises and related rights to players acquired at the time of a franchise purchase are recorded at cost which is not being amortized against income as the company believes there has been no diminution of value.

Cost of subsequent purchases of rights to players, which include signing bonuses, are charged against income and proceeds from the sale of such rights are credited to income (see also "Accounting for certain revenues and expenses" below).

(d) Leasehold improvements and equipment

Leasehold improvements and equipment are stated at cost. Provision is made on the straight-line basis for amortization of leasehold improvements over the term of leases and for depreciation of equipment over five years. The amount included in "Selling and administrative expense" during the year totalled \$21,303 (1974 - \$22,600).

(e) Unamortized debenture discount and expenses

These costs are being charged to income on a straight-line basis over the life of the debenture issue, after adjusting for reductions in debenture principal prior to maturity. The amount included in "Interest on long-term debt expense" during the year totalled \$10,380 (1974 - \$48,111).

(f) Accounting for certain revenues and expenses

Certain revenues and expenses which are in the nature of start-up items associated with the next hockey season are deferred and charged or credited against income in the next fiscal period.

(g) Income taxes

The company follows the practice of charging reported income with income taxes related to those earnings. Any differences between these taxes and taxes currently payable for the year are reflected in "Deferred income taxes".

2. SHORT-TERM INTEREST BEARING SECURITIES

The investment at August 31, 1975 consists of interest bearing notes payable on demand issued by Western Broadcasting Company Ltd., a shareholder. Marketable securities with a quoted market value of \$6,700,000 have been pledged and lodged with the company's bank as security for the notes. A Canadian chartered bank has guaranteed to provide the funds for repayment.

3. NOTES RECEIVABLE

The company, together with other members of the N.H.L., is participating in discussions for the renegotiation of the terms of the notes receivable relating to the 1972 and 1974 N.H.L. expansions. The notes are secured by a pledge of the franchise granted and the player purchase contracts acquired under the N.H.L. plan for expansion. Notes in the amount of \$1,100,972 are currently in arrears as to principal of \$158,289 and interest of \$109,175 and management is unable to determine their collectability at this time. The accrued interest for the year has not been recognized in the accounts and the portion of the notes due before August 31, 1976 has not been reflected as a current asset.

4. EQUITY IN LIMITED PARTNERSHIP

The company holds a 1/15th interest in a limited partnership and shares in the profits or losses of the partnership to the extent of 6.45%. The partnership was formed to operate the California Golden Seals in the N.H.L. and the Salt Lake City Gold Eagles in the C.H.L. until a purchaser could be found. The partnership has assessed the company for its share of the operating losses and cash requirements of the partnership to June 30, 1975 and both items have been charged to "Other hockey expenses".

Effective June 1, 1975, the partnership sold its assets. The partnership is participating in a loan to the purchaser, of which the company's share is expected to be \$40,000.

Because the partnership has incurred substantial losses since its formation, the company has written down in 1975 to \$1 its original investment of \$150,000.

5. INCOME TAXES

(a) The company has settled with Revenue Canada, Taxation, the treatment for tax purposes of the amortization of the original cost of rights to players related to the N.H.L. franchise acquired in 1970, revenue from N.H.L. expansions, and indemnification revenue and expense of prior years.

The comparative figures in the accompanying financial statements have been restated from amounts previously reported to reflect the reduction in income taxes and a

provision for the interest and other costs associated with the settlement.

- (b) A Canadian subsidiary has incurred losses aggregating \$485,000 which are available to reduce income for tax purposes. Because management is virtually certain the company will generate sufficient profits in the future to utilize this loss, the related tax reduction of \$243,300 has been recorded in the accounts.

6. CONVERTIBLE SUBORDINATED DEBENTURES

The debentures are convertible into common shares at \$10 per share. The company has the right to redeem the debentures at a prescribed premium until 1988 and thereafter at par, and to purchase the debentures for cancellation at prices not exceeding the redemption price thereof. The Trust Indenture requires that payments be made to the Trustee in the years 1981 through 1989 of an amount sufficient to retire \$200,000 principal of the debentures in each of those years.

To August 31, 1975, the company has purchased \$512,000 of debentures for cancellation, and \$1,800 of debentures were converted into common shares in prior years. The company may establish a credit for sinking fund purposes equal to the aggregate of these amounts. The indenture also restricts payment of dividends (other than stock dividends) by permitting them to be paid only out of consolidated net income (as defined) earned subsequent to June 30, 1970, subject to certain provisions relating to redemption and sale of capital stock. Consolidated net income (as defined) earned subsequent to June 30, 1970 amounts to \$2,728,476 and the company has paid dividends aggregating \$1,000,041.

The company has reserved 148,620 unissued shares for conversion of the remaining debentures.

7. EXTRAORDINARY ITEMS

	Year ended August 31, 1975	Year ended August 31, 1974
Loss on disposition of Seattle Totems Hockey Club, Inc.	\$(369,398)	
Income from N.H.L. expansion (net of income taxes thereon of \$17,900 current and \$77,600 deferred)	—	\$654,500
Realization of tax savings on application of loss carry-forwards	8,900	9,400
	<u>\$(360,498)</u>	<u>\$663,900</u>

8. LEASE COMMITMENTS

The minimum rental commitment under a long-term lease for arena rent approximates \$32,000 annually for the years 1976 to 1983 inclusive. The lease, which is renewable for a further term of ten years at rental rates to be negotiated, also provides for additional rentals based on varying percentages of gross gate receipts.

9. CONTINGENT LIABILITIES

- (a) There are a number of continuing actions and two new actions in the United States against the N.H.L. and its member clubs (which include Vancouver Hockey) for damages and costs allegedly sustained by plaintiffs by reason of alleged violations of United States anti-trust laws. Counsel for the company have advised that it is not possible at this time to give any estimation of the chances of success or failure, or the amount of damages which may be assessed, or other remedies which may be enforced, should any of these actions ultimately be successful.

Under terms of a settlement agreement with the N.H.L. the World Hockey Association and its present member clubs have agreed to indemnify the N.H.L. and its member clubs to the extent of \$1,750,000 in respect of any damages which might be awarded if proceedings were ultimately successful in two of these continuing actions.

- (b) The company is contingently liable for its share of a liability transferred to the limited partnership referred to in note 4, which share approximates \$180,000 at August 31, 1975, and other debts arising from the operations of the partnership.

10. COMPARATIVE FIGURES

In order to conform with the year-end of Western Broadcasting Company Ltd., the company changed its fiscal year-end from June 30 to August 31 in 1974. The comparative figures for 1974 reflect the operations for the year ended August 31, 1974 and for the two-month period subsequent to June 30, 1974, the date of the last financial statements presented at an annual meeting of shareholders. Certain of the 1974 figures have been reclassified to conform to the classifications used in the current period.

11. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate remuneration paid or payable for the year by the company and its subsidiaries to directors and senior officers of the company, as defined in the Companies Act, British Columbia, amounted to \$46,790.



